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<b>COMMISSIONERS</b> JEFF HATCH-MILLER - Chairman WILLIAM A. MUNDELL MARC SPITZER MIKE GLEASON KRISTIN K. MAYES	 <b>ARIZONA CORPORATION COMMISSION</b>	2006 JUN 29 A 8:30
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June 29, 2006

AZ CORP COMMISSION  
DOCUMENT CONTROL

Michael W. Patten  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

RE: SABROSA WATER COMPANY – APPLICATION FOR ESTABLISHMENT OF PERMANENT  
RATES, DOCKET NO. W-02111A-06-0361

FIRST LETTER OF DEFICIENCY

Dear Mr. Patten:

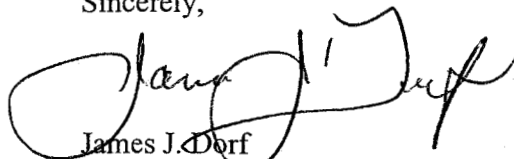
In reference to the Company's rate application received on May 31, 2006, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

- Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until July 14, 2006, to correct the deficiencies or make other arrangements with Staff to remedy your rate application.

The Staff person assigned to your application is Jim Beechey. He can be reached at (602) 542-5889, or toll free within Arizona at (800) 222-7000, if you have any questions or concerns.

Sincerely,



James J. Dorf  
Chief, Financial & Regulatory Analysis Section  
Utilities Division

CC: Docket Control Center (sixteen copies)  
Lyn Farmer, Hearing Division  
Delbert Smith, Engineering  
Consumer Services  
Legal Division

Sabrosa Water Company  
C/O Global Water Management, LLC  
Docket No. W-02111A-06-0361

Staff's First List of Deficiencies

- 1.) Please provide current copies of the appropriate MCESD and/or ADEQ compliance status reports as explained in the Water Rate Application Checklist.
- 2.) Please provide a copy of the Arizona Department of Revenue (ADOR) Certificate of Compliance Letter of Good Standing as explained in the Water Rate Application Checklist.
- 3.) Please provide the 2006 ADEQ Monitoring Assistance Program annual sampling fee invoice.
- 4.) Please confirm that no plant records exist for periods prior to Global's appointment as interim manager.
- 5.) Please confirm whether the Zorrillo and Sabrosa wells were in service during the test year, and the Wright well was not.
- 6.) Exhibit 2, page 15, Utility Plant in Service: the amount for account 301, Organization Costs, please provides invoices for any amounts greater than \$150.00.
- 7.) Exhibit 2, page 15, Utility Plant in Service: the amounts for accounts 320, Water Treatment Equipment, and 348, Other Tangible Plant, are \$41,162.92 and \$38,327.10 respectively; however, invoices for these accounts only total \$21,853.17 and \$12,793.66 respectively. Please explain, and provide ALL invoices greater than \$150.00.
- 8.) Exhibit 1, page 4 of Status Report, under Negative Financial Condition it is stated that "Global lost \$130,316.15 over the first year of operation." Please explain if SWC is legally responsible to Global for debt in which proceeds were used in the provision of public utility service. Is this obligation recorded in SWC books, and if so, in what account.
- 9.) Exhibit 2, page 22, Balance Sheet: please explain the nature of the obligations composing the account 241 Miscellaneous Current and Accrued Liabilities balance of \$187,718. If these obligations have existed greater than twelve months and will not be met with current funds, and were incurred in the provision of public utility service please include the obligations on the attached page 23, Supplemental Financial Data.
- 10.) Please provide a copy of the customer notification letter with a notarized cover letter stating the method of customer notification and the date the notification was sent to the customer, as explained in the General Instruction section of the rate application.
- 11.) Please complete the attached pages 3, 4, 5, 6, 7, and 23 as required in the standard rate application forms.

- 12.) Exhibit 6, History Bill count Report: the bill counts submitted do not generate the Metered Water Revenue as recorded on page 19, Comparative Statement of Income and Expense. Please reconcile and explain.
- 13.) Exhibit 5, Current and Proposed Service Charges: there are no proposed charges for 5" Meter Turbo, and 5" Meter Compound. Please correct.
- 14.) Exhibit 4, Water Use Data Sheet: including the 33,640 gallons as part of flushing the Wright Well, our water usage analysis shows that the Company has a 20% water loss during the test year, which exceeds the recommended limit of 10%. Please confirm that the water usage data is correct.
- 15.) The Company's Water Use Data Sheet indicates that arsenic levels in all three of the Company's wells exceed 10 ppb. Please provide a copy of the Company's arsenic removal plan.
- 16.) The Company's Water Company Plant Description indicates three fire hydrants. Please provide the Company's fire hydrant flow reservation (in number of gallons per minute and how many hours).
- 17.) The Company's Other Water Sources indicates that 17,500 gallons were delivered from Anthem in February 2005. Please confirm that this delivery was outside the Test Year, and that no other delivery or purchases of water occurred during the Test Year.
- 18.) On page 5 of 6 of Exhibit 1, Status Report, the Company states "The Wright Well remains isolated from service as required by MCESD". Please provide documentation from MCESD requiring the isolation, and explain how long the well is estimated to be isolated, and if the Company plans to treat the well and when treatment will occur.

Thank you.

Jim Beechey (602) 542-5889

## NARRATIVE DESCRIPTION OF APPLICATION FOR RATE ADJUSTMENT

### Instructions:

Please provide the reasons for your requested rate adjustment by checking the appropriate box(es) below. If desired, the Company may also attach a written narrative regarding its reasons for the requested rate adjustment. Your narrative may also include efforts made by the utility to control costs/expenses and/or mitigate the amount of rate adjustment.

- ☐ Changes in current, compared to past operations, that necessitate the rate adjustment  
Please explain:

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- ☐ Descriptions and/or calculations of adjustments made to amounts that are included in this application that are different than amounts recorded in your books/ledgers (pro forma adjustments)  
Please explain:

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- ☐ Significant factors influencing your revenues, expenses and/or rate base  
Please explain:

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- ☐ Anticipated growth/decline in customers expected in the next two years, the amount of anticipated construction to serve those customers, and how financed; the type of customers served by the utility, e.g. residential, irrigation, small retail businesses, large commercial, etc.  
Please explain:

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- ☐ Anticipated construction  
Please explain:

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- ☐ Efforts made to encourage conservation of water through the proposed rate design or through other means  
Please explain:

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- ☐ Other factors  
Please explain:

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*Attach additional pages as necessary.*

Company Name:	Test Year Ended:
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### AFFILIATE RELATIONSHIP

Please indicate a **yes** or **no** answer to the questions below and provide an explanation where necessary.

A parent-subsidary relationship, or affiliation, with another entity includes corporations, partnerships, sole proprietorship, limited liability corporations (LLCs), as well as common ownership of a water company and another entity, such as a development company or wastewater company.

Are any assets owned jointly with any affiliated or subsidiary entities?

☐ YES      ☐ NO

If Yes, please provide a description of each jointly owned asset, it's cost, and the percentage of the asset owned by the utility. (Please note the amounts reported on pages 13 and 15 should only include the percentage of plant owned by the utility.)

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Were any of the assets constructed or acquired from an affiliated or subsidiary entity?

☐ YES      ☐ NO

If Yes, please identify the affiliated entity, the relationship with the utility, and a detailed listing of all transactions reflected in the Plant accounts. Also include detail for other balance sheet accounts, such as Advances, Contributions in Aid of Construction, inter-company payables and receivables, as well as affiliated revenues and expenses from the Company's Income Statement.

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## STATEMENTS IN SUPPORT OF RATE REQUEST

Complete the following statements in support of your rate request.

\_\_\_\_\_ (the "Company") requests an adjustment in the existing rates charged by the Company. The information contained in this application is based upon a twelve-month Test Year ending \_\_\_\_\_ (mm/dd/yy). The Company had total operating revenues of \$ \_\_\_\_\_, served \_\_\_\_\_ metered and \_\_\_\_\_ un-metered customers, and sold \_\_\_\_\_ gallons of water during the Test Year.

(from page 19)

(from page 18)

The Company is requesting a(n) increase/decrease in revenues in the amount of \$ \_\_\_\_\_.

Total annual operating revenues, if the Company is granted the rate adjustment, will be \$ \_\_\_\_\_.

The Company is current on all property taxes. ☐ YES ☐ NO

The Company is current on all sales taxes. ☐ YES ☐ NO  
(Please use the form in the appendix and see checklist item 2 on page 1.)

The Company currently has a Curtailment Plan Tariff on file with the Commission ☐ YES ☐ NO

The Company currently has a Backflow Prevention Tariff on file with the Commission ☐ YES ☐ NO

The Company notified its customers of its application for a rate adjustment on \_\_\_\_\_ (mm/dd/yy). **A COPY OF THE NOTICE WITH A NOTARIZED COVER LETTER STATING THE METHOD OF CUSTOMER NOTIFICATION, AS WELL AS THE DATE OF THE NOTIFICATION, MUST BE ATTACHED. (See page 32)**

By completing this application in support of the Company's request for a rate adjustment, the Company realizes that Original Cost Less Depreciation ("OCLD") plant information will be used to determine the fair value rate base, i.e., the Company waives the right to Reconstruction Cost New.

The utility company ownership is one of the following:

- ☐ Sole Proprietorship
- ☐ Partnership
- ☐ "C" Corporation
- ☐ "S" Corporation
- ☐ Limited Liability Corporation ("LLC")
- ☐ Association--Cooperative
- ☐ Other, please specify: \_\_\_\_\_

*Note: If a corporation, please list stockholders and the respective number of shares owned below.*

Stockholders	Number of Shares Owned

I have read and completed this application, and to the best of my knowledge all of the information contained herein, and attached to this application, is true and correct.

Name of Authorized Representative (print):	Company Name:
Title:	Address:
Signature:	
Date:	Phone Number:
E-mail Address:	Fax Number:
Website Address:	



Company Name:

Test Year Ended:

**SUPPLEMENTAL FINANCIAL DATA****Long-Term Debt<sup>1</sup>**

	<b>LOAN #1*</b>	<b>LOAN #2*</b>	<b>LOAN #3*</b>	<b>LOAN #4*</b>
Date Issued				
Source of Loan				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Net Proceeds	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$
Authority Granted By ACC Decision No.				

*A.R.S. 40-301 requires ACC approval of long-term debt. If the Commission has not approved any of the above loans, then please submit an application requesting approval of the above loans.*

Meter Deposit Balance – Test Year

\$

Meter Deposits Refunded During the Test Year

\$

<sup>1</sup> List all bonds, notes, loans, and other types of indebtedness in which the proceeds were used in the provision of public utility service. Indebtedness incurred for personal uses by the owner of the utility should not be listed.